



**WEST COAST DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

General Information

Mayoral committee

Executive Mayor
Deputy Executive Mayor
Speaker

Cllr. J H Cleophas
Cllr. J J Josephus
Cllr. A Kruger
Cllr. A P Mouton
Cllr. I F Julies
Cllr. M Koen
Cllr. B J Stanely
Cllr. J Swart
Cllr. R Skei
Cllr. J Barnard
Cllr. N G Delport
Cllr. C H Heyns
Cllr. W D Loff
Cllr. M Smit
Cllr. C J Snyders
Cllr. S R Claassen
Cllr. E L Mgingqi
Cllr. J J Fransman
Cllr. N V Mgogi
Cllr. J J Cillie
Cllr. S T Vries
Cllr. N J A Rust
Cllr. N S Zatu
Cllr. C Ovies

Other Councillors

Grading of local authority

Grade 4

Auditors

AUDITOR GENERAL

Bankers

FIRST NATIONAL BANK
62001436014
FIRST NATIONAL BANK
53060007920

Credit rating

LONG TERM : A-
SHORT TERM : A1-

Registered office

58 LONG STREET
MOORREESBURG
7310

Postal address

P O BOX 242
MOORREESBURG
7310

Telephone

022 - 433 8400

Fax

086 692 6113

Accounting Officers

H F Prins

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

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I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 59, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

H F Prins
Municipal Manager - 31 August 2012

J Koekemoer
Chief Financial Officer - 31 August 2012

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Inventories	12	1,425,527	1,193,926
Other trade receivables	14	6,676,568	4,798,469
VAT receivable	15	1,796,332	2,811,102
Trade receivables	13	6,624,384	6,291,647
Current portion of long-term receivable		-	-
Cash and cash equivalents	16	134,240,446	151,324,852
		150,763,257	166,419,996
Non-Current Assets			
Investment property	10	4,931,161	5,033,409
Property, plant and equipment	9	311,803,125	334,012,578
Intangible assets	11	445,455	657,537
		317,179,741	339,703,524
Total Assets		467,942,998	506,123,520
Liabilities			
Current Liabilities			
Trade payables	7	25,577,070	32,713,896
Other payables	46	1,407,739	2,320,024
Employee benefits accrual	4	391,487	364,067
Current portion of long-term liabilities	3	7,944,149	7,049,641
		35,320,445	42,447,628
Non-Current Liabilities			
Employee benefit accrual	5	56,176,139	50,098,553
Provisions	4	-	158,042
Long-term liabilities	3	83,146,335	91,115,816
		139,322,474	141,372,411
Total Liabilities		174,642,919	183,820,039
Net Assets		293,300,079	322,303,481
Net Assets			
Accumulated surplus	28	293,300,079	322,303,481

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Revenue			
Property rates	17	-	867,789
Service charges	18	80,575,030	74,341,062
Income for agency commission		-	5,618,203
Government grants & subsidies	8	78,036,919	81,516,905
Other revenue		10,656,637	8,951,856
Fees earned		48,000	-
Other revenue	19	4,555,588	3,782,466
Infrastructure grants		64,439,430	64,699,203
Interest received - investment		8,075,903	9,549,126
Total Revenue		246,387,507	249,326,610
Expenditure			
Employee related costs	20	(66,184,432)	(64,817,894)
Remuneration of councillors	21	(3,652,009)	(4,699,812)
Depreciation and amortisation		(19,525,862)	(18,350,515)
Finance costs	23	(11,163,905)	(8,173,633)
Repairs and maintenance	22	(21,140,936)	(65,431,059)
Bulk purchases	24	(7,628,846)	(7,332,445)
General Expenses	25	(114,174,402)	(81,239,805)
Total Expenditure		(243,470,392)	(250,045,163)
Gain on disposal of assets and liabilities		425,603	124,736
Discontinued operations	47	(34,219,816)	-
Deficit for the year		(30,877,098)	(593,817)

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	317,693,487	317,693,487
Adjustments		
Correction of error	704,433	704,433
Balance at 01 July 2010 as restated	318,397,920	318,397,920
Changes in net assets		
Changes in accounting estimate due to adoption of GRAP 17	4,560,276	4,560,276
Prior period adjustments	54,722	54,722
Prior period adjustment	(115,620)	(115,620)
Net income (losses) recognised directly in net assets	4,499,378	4,499,378
Surplus for the year	(593,817)	(593,817)
Total recognised income and expenses for the year	3,905,561	3,905,561
Total changes	3,905,561	3,905,561
Opening balance as previously reported	322,303,481	322,303,481
Adjustments		
Correction of error	787,611	787,611
Balance at 01 July 2011 as restated	323,091,092	323,091,092
Changes in net assets		
Surplus for the year	(30,877,098)	(30,877,098)
Change in accounting estimate	1,086,085	1,086,085
Total changes	(29,791,013)	(29,791,013)
Balance at 30 June 2012	293,300,079	293,300,079

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Receipts			
Cash receipts from rate payers, government and other		236,199,056	227,395,200
Interest income		8,075,903	9,549,126
		<u>244,274,959</u>	<u>236,944,326</u>
Payments			
Cash paid to suppliers and employees		(247,217,307)	(199,624,731)
Finance costs		(11,163,905)	(8,173,633)
		<u>(258,381,212)</u>	<u>(207,798,364)</u>
Net cash flows from operating activities	29	(14,106,253)	29,145,962
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(31,657,836)	(62,951,585)
Proceeds / (Disposals) from sale of property, plant and equipment	9	35,767,962	134,398
Purchase of other intangible assets	11	(13,306)	(13,288)
Net cash flows from investing activities		4,096,820	(62,830,475)
Cash flows from financing activities			
Loan (paid) / raised		(7,074,973)	29,454,466
Net increase/(decrease) in cash and cash equivalents		(17,084,406)	(4,230,047)
Cash and cash equivalents at the beginning of the year		151,324,852	155,554,899
Cash and cash equivalents at the end of the year	16	134,240,446	151,324,852

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1. Basis of Preparation

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) prescribed by the Minister of Finance in terms of Section 91 of the Public Finance Management Act, 1999 (Act number 1 of 1999) including any interpretations, guidelines and directives issued by the Accounting Standards Board in terms of Section 89 where applicable..

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

A summary of the Standards of GRAP, which have been consistently applied, are disclosed below:

- GRAP 1 Presentation of financial statements
- GRAP 2 Cash flow statement
- GRAP 3 Accounting policies, changes in accounting estimates and errors
- GRAP 4 The Effects of Changes in Foreign Exchange Rates
- GRAP 5 Borrowing Costs
- GRAP 6 Consolidated and Separated Financial Statements
- GRAP 7 Investment in Associates
- GRAP 8 Investment in Joint Ventures
- GRAP 9 Revenue from Exchange Transactions
- GRAP 10 Financial Reporting in Hyperinflationary Economies
- GRAP 11 Construction Contracts
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 14 Events After the Reporting Date
- GRAP 16 Investment Property
- GRAP 17 Property, Plant and Equipment
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assetst
- GRAP 100 Non-current Assets Held for Sale and Discontinued Operations
- GRAP 101 Agriculture
- GRAP 102 Intangible Assets

The accounting policies for transactions and events that are not specifically covered by the GRAP standards listed above have been developed in accordance with the requirements of paragraphs 7 , 11 and 12 of GRAP 3 and the guidance as set out in Directive 5.

These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The standards are summarised as follows:

- IAS 19 (AC 116) Employee benefits - Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. (IAS 19.29, 48 - 119 and 120A (c) - (q))
- IFRS 7 / AC 144 Financial Instruments: Disclosures - Entire standards to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998.
- IAS 32 (AC 125) Financial Instruments : Presentation
- IAS 39 (AC 129) Financial Instruments: Recognition and measurement - Initially measuring financial assets and liabilities at fair value. (IAS 39.43,AG 79,AG 64 - AG 65 and SAICA circular 9/06)

1.1 Presentation currency

These annual financial statements are presented in South African Rand which is the municipality's functional currency. All financial information has been rounded to the nearest Rand.

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.2 Going concern assumption

These annual financial statements are prepared on the going concern basis.

1.3 Property, plant and equipment

Items of Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance and are expensed. The enhancement of an existing asset so that its use is expanded or the further development of an asset so that its original life is extended are examples of subsequent expenditure which should be capitalised.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at fair value. If the acquired item could not be measured at its fair value, its cost is the measured at the carrying amount of the asset(s) given up.

Assets under construction

The cost of assets under construction includes all expenditure related directly to specific projects still in progress at period end.

Incomplete construction work is stated as historic cost.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Depreciation is recognised in surplus or deficit, using the straight line method, over the estimated useful lives of the assets. Assessment of residual values are performed at acquisition date. Assets under construction are only depreciated once fully completed. The depreciation rates are based on the following:

ASSETS	ESTIMATED USEFUL LIFE
Land	0
Buildings	25 to 30
Other Structures (Infrastructure)	0 to 100
Investment property	0
Intangible Assets	5
Heritage	0
Other	2 to 22

Disposal and retirement of assets

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.3 Property, plant and equipment (continued)

Assets are written off on disposal or retirement or when no future economic benefits or service potential is expected from its continued use or disposal.

The difference between the net book value of assets (cost less accumulated depreciation and impairment losses) and the sales proceeds is reflected as a gain or loss in the surplus or deficit.

Borrowing costs

Borrowing costs are treated in accordance with the provisions of GRAP 5. In accordance with these provisions borrowing costs are interest and other costs incurred in connection with the borrowing of money. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset can be capitalised. Borrowing costs incurred other than on qualifying assets must be recognised as an expense in surplus or deficit when incurred. The amount of borrowing costs capitalised is limited to the actual borrowing costs incurred on the borrowing less any investment income on the temporary investment of those borrowings.

Residual value and useful lives

Residual value is the estimated amount that is obtained from the disposal of an asset, after deducting the estimated cost of disposal. Useful life is the period over which an asset is expected to be available for use. Residual values, useful lives and depreciation methods are reviewed annually in accordance with the provisions provided in GRAP 17. If the expectations differ from previous estimates the change is accounted for as a change in accounting estimate.

1.4 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods and services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and accumulated impairment losses.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Depreciation is calculated using the depreciable amount, which is the cost of the asset less its residual value.

Cost model

The estimated useful lives for the current and comparative periods are as follows:

Item	Useful life
Property - beach development	25 to 30

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.5 Intangible assets

An intangible asset is defined as an identifiable non - monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. Intangible assets are treated in accordance with the provisions of GRAP 102. In accordance with these provisions intangible assets are initially recorded at their cost price and are subsequently amortised over their expected useful lives. The intangible assets under the control of the Municipality, such as computer software (5 years), are amortised according to the straight line method.

After the initial measurement of intangible assets subsequent expenditure is only capitalised if future economic benefits or service potential over the total life of the intangible assets, in excess of the most recently assessed standard of performance of the existing intangible assets, will flow to the Municipality. Identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets in accordance with the policies below.

Other intangible assets that are acquired by the municipality and have finite useful lives are initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost, or for a nominal cost, the cost is deemed to be its fair value as at the date of acquisition. Servitudes created through the exercise of legislation are not recognised as intangible assets and any costs incurred to register these servitudes are expensed. Servitudes, however, that are created through an agreement (contract) are recognised as intangible assets.

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Item	Useful life
Other intangible assets	5

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the municipality is able to charge the public for the use of the infrastructure to the end of the concession period.

1.6 Financial instruments

Classification

The municipality classifies financial instruments, or their component parts, on initial recognition as financial assets, a financial liabilities or equity instruments in accordance with the substance of the contractual arrangement.

Non - derivative financial assets

The municipality initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through surplus or deficit) are recognised initially on the trade date at which the economic entity becomes a party to the contractual provisions of the instrument.

The municipality derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the economic entity is recognised as a separate asset or liability..

The municipality has the following classes and categories of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class of financial asset IAS 39 category

Investments in fixed deposits (banking institutions, etc) Held-to-maturity

Trade and other receivables from exchange transactions (consumer debtors) Loans and receivables

Short-term investment deposits Held-to-maturity

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.6 Financial instruments (continued)

Cash and cash equivalents Loans and receivables

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. Bank overdrafts that are repayable on demand and form an integral part of the municipality's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non - derivative financial liabilities

The municipality initially recognises financial liabilities, including liabilities designated at fair value through surplus or deficit, on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

The municipality derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

The municipality has the following classes of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

Loans and borrowings

Trade and other payables from exchange transactions

Current portion of loans and borrowings

The above financial liabilities form part of the "other financial liabilities carried at amortised cost" category per IAS 39 and are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Finance income and expenses

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method. Dividend income is recognised in surplus or deficit on the date that the economic entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, impairment losses recognised on financial assets (other than trade receivables). Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in surplus or deficit using the effective interest method.

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.6 Financial instruments (continued)

Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

Financial Assets

Trade receivables

Trade receivables are recognised initially at fair value and measured at amortised cost using the effective interest rate method, less a provision for impairment. This provision is based on a review of all outstanding amounts at year end and is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Bad debts are written off during the year in which they are identified. Subsequent recoveries of amounts previously written off are credited against the relevant revenue stream in the statement of financial performance.

Financial Liabilities

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

Long-term liabilities

Long term financial liabilities are classified as financial liabilities that are measured at amortised cost.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial assets. If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially, accounts receivable are measured at fair value and subsequently carried at amortised cost using the effective interest method. An estimate is made for doubtful debt using the amount outstanding at year end as a percentage of the total amount charged for the year and applying this to the accounts receivable balance at year end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. An impairment loss is recognised in surplus or deficit and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

Consumer Debtors are measured at amortised cost less provision for bad debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed collectively after grouping the assets in financial assets with similar credit risks characteristics. Government accounts are not provided for as such accounts are regarded as payable.

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.6 Financial instruments (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the surplus or deficit.

In a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the surplus or deficit to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of non-financial assets

The carrying amounts of non-financial assets, other than investment property and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit and loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.7 Inventories

Cost

The cost of inventories comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition. Where inventories are acquired at no cost, or for nominal consideration, the cost is deemed to be the fair value as at the date of acquisition. Cost is generally determined using the weighted - average principle except where stated otherwise.

The cost of agricultural produce harvested from biological assets is initially measured at fair value less estimated point of sale costs.

Subsequently measurements

Consumable stores, raw materials, work-in-progress and finished goods are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories are measured at the lower of cost and current replacement cost where they are held for:
distribution at no charge or for a nominal charge; or
consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Current replacement cost is the cost the economic entity incurs to acquire the asset on the reporting date.

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.7 Inventories (continued)

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water inventory

Water inventory represents water housed in dams within the municipal area and is measured at the lower of cost, which is deemed to be fair value, and net realisable value. In the absence of a market that trades in water outside of local government, the fair value utilised to quantify water inventory is based on the unit reference value. The unit reference value is determined by a formula that is utilised in the engineering department to calculate the development cost of new water resources.

The water levels in the dams are based on cubic meter capacity taking into account the capacity of the dam, based on land surveying reports and the curve of the dam.

Readings of water levels are taken at year-end, which is quantified at the above fair value.

Water and purified effluent are measured at the lowest of purified cost and net realisable value insofar as it is stored and controlled in reservoirs at year-end.

1.8 Unutilised conditional grants

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

Unutilised conditional grants are reflected on the Statement of Financial Position as a creditor – Unspent Conditional Grants. They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash. The following provisions are set for the creation and utilisation of this creditor:

- The cash which backs up the creditor is invested until it is utilised.
- Whenever an asset is purchased out of the unutilised conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unutilised Conditional Grant into the statement of financial performance as revenue.

1.9 Value added tax

The municipality accounts for Value Added Tax on the cash basis. The Municipality is liable to account for Value Added Tax at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or out of scope for VAT purposes. The timing of payments to / from the South African Revenue Service is the last day of each of the twelve months of the financial year.

1.10 Revenue recognition

Revenue

Revenue from exchange transactions includes revenue from trading activities and other services provided while revenue from non-exchange transactions includes rates levied, fines, donations and grants from other spheres of government.

Revenue from exchange transactions

Revenue is generally recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits or service potential can be measured reliably, except when specifically stated otherwise. Revenue from the rendering of services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.10 Revenue recognition (continued)

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts.

Service charges

Service charges relating to distribution of electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property receiving services. Tariffs are determined per category of property and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation services are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council. Revenue is recognised on a monthly basis.

Services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Pre-paid electricity

Revenue is recognised at the point-of-sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Interest, royalties and dividends

Interest earned and rentals received

Interest is recognised, in surplus or deficit as it accrues, using the effective interest method.

Rental income from operating leases is recognised on a straight line basis over the lease term.

Other

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Agency commission

Commission for agency services is recognised when a actual expense incure. This is due to a change in the policy by the Agent.

Revenue from non-exchange transactions

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.10 Revenue recognition (continued)

Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably and, if applicable, there has been compliance with the relevant legal requirements or restrictions.

Rates and taxes

Revenue from rates, including collection charges and penalty interest, is recognised on a monthly basis when the taxes are levied as this is regarded to be the date when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and there has been compliance with the relevant legal requirements.

Donations and contributions

Revenue from donations is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and any restrictions associated with the donation have been met.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the recognition criteria had been met, as assets in the reporting period in which they are received or receivable.

Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned is recognised as interest earned in the statement of financial performance.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.10 Revenue recognition (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied or, if the tax is levied on a periodic basis, the period for which the tax is levied.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are recognised as revenue and as assets. Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the recognition criteria had been met, as assets in the reporting period in which they are received or receivable.

1.11 Provisions

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Site restoration

In accordance with applicable legal requirements, a provision for site restoration in respect of landfill sites is recognised when the land is contaminated. The related expense is capitalised against the cost of the landfill sites.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.12 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits are recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to salaries, performance bonuses and annual leave represents the amounts which the Municipality has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current salary levels at the reporting date

Pension / Retirement Fund

The municipality and its employees contribute to various Pension and Retirement Funds and its councillors contribute to the Pension Fund for Municipal Councillors. These funds provide retirement benefits to such employees and councillors.

The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed on a regular basis.

Current contributions are charged against the operating account of the municipality at a percentage of the pensionable remuneration paid to employees or councillors.

Defined benefit plans - Medical Aid: Continued Members

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members. According to the rules of the medical aid funds, with which municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% or 40% of the medical aid membership fee, and the municipality for the remaining 70% or 60%. The municipality adopted a policy whereby the age of staff appointed under the new conditions of service would determine their portion of contribution to the medical aid on retirement.

An Actuarial valuation was performed and a liability was determined as a result of the actuarial valuation. The actuarial valuation will be revised on an annual basis.

The actuarial valuation was calculated based on the following assumptions:

Discount rate of 8.08%, Health care cost inflation rate 6.89% and a net effective discount of 1.11%.

The Council's obligation to provide post-retirement medical aid benefits are defined benefit obligations. The obligation is calculated by estimating the amounts of the future benefit that qualifying employees have earned in return for their service in the current and prior periods. This benefit is discounted to determine its present value, using a discount rate based on market yields, at the balance sheet date, on high quality bonds with maturity dates that most closely match the terms of maturity of the municipality's obligation. The calculation is performed by a qualified actuary using the projected unit credit method. The portion of benefits relating to past service by employees is recognised as an expense on a straight-line basis over the average vesting period. To the extent that the benefits are already vested, past service costs are recognised immediately.

The municipality recognises actuarial gains or losses from defined benefit plans immediately in profit or loss.

Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested past service costs are recognised immediately.

The amount recognised is the excess determined above divided by the expected average remaining working lives of the employees participating in the that plan.

Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. Accrual is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Provision for Performance Bonuses

The Municipality makes provision for bonuses payable owing to officials in terms of performance agreements.

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.12 Employee benefits (continued)

Provision for Bonus

The Municipality makes provision for bonuses payable in November of each financial period to all permanent employees.

1.13 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable until it is recovered or written off as irrecoverable.

1.15 Fruitless and wasteful expenditure

In terms of the MFMA, fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 Leases

Operating leases - municipality as lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Operating leases - municipality as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

1.17 Critical accounting estimates and judgements

Impairment of trade and other receivables

The impairment of the municipality's trade and other receivables is based on incurred losses in accordance with the requirements of IAS 39. The historical loss experience of the economic entity, based on observable data through the passage of time, is used to estimate the impairment of trade and other receivables. Any changes in the payment status of customers in a specific group or national or local economic conditions that correlate with defaults on the assets in the group will have an impact on the impairment of trade and other receivables.

Provisions

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.17 Critical accounting estimates and judgements (continued)

The provisions raised by the municipality are detailed in note 2. These provisions represent management's best estimate of the municipality's exposure. The probability that an outflow of economic resources will be required to settle the obligation must be assessed, and a reliable estimate must be made of the amount of the obligation. Actual results may, however, differ from these estimates.

Allowance for slow moving, damaged and obsolete stock

Management has made estimates of the selling price and direct cost to sell of certain inventory items to calculate the allowance to write stock down to the lower of cost or net realisable value. The write down is zero.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions, which include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Depreciation and the carrying value of items of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated remaining useful lives of items of property, plant and equipment will have an impact on the carrying value of these items.

Determination of the recoverable amount of cash-generating assets

Where impairment indicators exist, the determination of the recoverable amount of assets or cash generating units requires management to make assumptions to determine the fair value less costs to sell. Key assumptions on which management has based its determination of fair values less costs to sell include projected revenues, earnings multiple, capital expenditure and market share. The judgements, assumptions and methodologies used can have a material impact on the fair value and ultimately the amount of the impairment.

Determination of the recoverable service amount of non-cash generating assets

Where impairment indicators exist, the determination of the recoverable service amount of a non-cash generating asset requires management to make assumptions to determine the fair value less costs to sell and the value in use based on the depreciated replacement cost model. Key assumptions include the current replacement cost of non-cash generating assets and in certain instances an assumption about the commissioning date which determines the depreciated replacement cost of the non-cash generating asset.

Provision for impairment of receivables

An estimate for the impairment of receivables is made when collection of the full amount is no longer probable. The provision for doubtful debt shall be calculated on trade receivables only, i.e. service debtors, levy debtors and housing rentals. The total impairment provision of the municipality shall be calculated per risk category.

1.18 Comparative figures and prior period errors

Comparative figures

Comparative figures have been restated to disclose the effect of the changes in accounting policies.

Prior period errors

Prior period errors have been corrected in terms of GRAP 3, Accounting policies changes in accounting estimates and errors, in the period in which they occurred, or the earliest period reported.

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The following standards expected to be applicable to the municipality have been issued, but are not yet effective:

The GRAP standards below will be applied by the municipality from the effective date determined by the Minister of Finance. The effective dates are currently unknown. International Financial Reporting Standards will be applied from the effective date of the Standard as indicated below.

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

The standard also includes detailed requirements to be applied in the accounting for:

- Post-employment benefits;
- Other long-term employee benefits;
- Termination benefits.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests.

Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument.

Residual interests entitle an municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

The standard contains further detailed guidance on the initial recognition, measurement and subsequent measurement of financial instruments and mainly distinguished between those financial instruments carried at fair value and those at amortised cost.

The impact of the amendment is set out in note Changes in Accounting Policy.

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

IFRIC 14: IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements - Amendment - Prepayments of minimum funding requirements

The amendments to IFRIC 14 (AC 447) address the accounting treatment for prepayments made when there is a minimum funding requirement.

The amendment is effective for annual periods beginning on or after 1 January 2011.

The amendments will be adopted by the municipality for the first time for its financial reporting period ending 30 June 2012.

The impact of the is set out in note Changes in Accounting Policy.

IAS 39: Financial Instruments: Recognition and Measurement - Amendment - Treating loan prepayment facilities as closely related embedded derivatives

The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated. If an exercise price of an embedded prepayment option reimburses the lender for an amount not exceeding the approximate present value of the lost interest for the remaining term of the host contract, then the economic characteristics and risks of the prepayment option embedded in a host debt or host insurance contract are closely related to the host contract and the embedded derivative is not separated from the host contract.

The amendments are to be applied prospectively to all unexpired contracts for annual periods beginning on or after 1 January 2010.

The impact of the is set out in note Changes in Accounting Policy.

IFRS 7: Financial Instruments: Disclosures - Amendments to disclosures

IFRS 7 is amended to add an explicit statement that the qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments.

The existing disclosure requirements of IFRS 7 are amended as follows:

IFRS 7 is amended to state that clarification that disclosure of the amount that best represents an entity's maximum exposure to credit risk is required only if the carrying amount of a financial asset does not reflect such exposure already.

Additional requirement to disclose the financial effect of collateral held as security and other credit enhancements in respect of a financial instrument. An example of such disclosure is quantification of the extent to which credit risk is mitigated by the collateral and other credit enhancements obtained. This disclosure is in addition to the existing requirement to describe the existence and nature of such collateral.

IFRS 7 is amended to state that clarification that disclosure in respect of collateral taken possession off by the entity is required only in respect of such collateral held at the end of the reporting period.

The following requirements have been removed from IFRS 7:

Disclosure of the carrying amount of financial assets that would have been past due or impaired if their terms had not been renegotiated.

Disclosure of a the description and fair value of collateral held as security and other credit enhancements in respect of financial assets that are past due but not impaired and in respect of financial assets that are individually determined to be impaired.

Additionally, the clause stating that quantitative disclosures are not required when a risk is not material has been removed from IFRS 7.

The general materiality considerations continue to apply to all disclosures required by IFRS 7 in the same way as they apply to other IFRSs.

The amended is effective for annual periods beginning on or after 1 January 2011.

The amendments will be adopted by the municipality for the first time for its financial reporting period ending 30 June 2012.

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of the standard is not material.

3. Long term liabilities

Local Registered Stock Loans	91,090,484	98,165,457
Less : Current portion transferred to current liabilities	(7,944,149)	(7,049,641)
Total External Loans	83,146,335	91,115,816

The Municipality has an unsecured external loan at Sanlam. The redeemable date for the loan is 29 June 2018. The loan is redeemed on a half-yearly basis as at 31 December and 30 June of each financial year. The amount borrowed in terms of the loan was to provide finance for capital projects within the Water Provisions Department. The loan is at a fixed rate of 12.54%

The Municipality has an unsecured external loan at The Development Bank of South Africa at a fixed rate of 13.38 & 6.75%. The redeemable date for the loan is 30 June 2020. The loan is redeemed on a half-yearly basis as at 31 December and 30 June of each financial year. The amount borrowed in terms of the loan was to provide finance for capital projects within the Water Provisions Department.

The Municipality has an unsecured external loan at ABSA at a fixed rate of 10.87%. The redeemable date for the loan is 31 January 2021. The loan is redeemed on a half-yearly basis as at 31 January and 31 July of each financial year. The amount borrowed in terms of the loan was to provide finance for capital projects within the Water Provisions Department. Refer to Appendix A for more detail on long - term liabilities

4. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Total
Reclamation of refuse landfill site	158,042	-	(158,042)	-
Employee benefits accrual (Performance Bonus - Refer to note 6 for reconciliation)	248,448	169,238	(202,682)	215,004
Employee benefits accrual (Bonus - Refer to note 6 for reconciliation)	115,619	2,493,182	(2,432,318)	176,483
	522,109	2,662,420	(2,793,042)	391,487

Reclamation of refuse landfill site	-	158,042
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Reclamation of refuse landfill site

In terms of the licencing of the landfill refuse site, the Municipality will incur rehabilitation costs of R250 000 to restore the site at the end of its economic life, estimated to be in 2019. Provision has been made for the net present value of this cost. The discount rate includes risk associated with cash flow is estimated at 5.90%.

Reconciliation of provisions

Opening balance	158,042	149,237
Additions	-	8,805
Utilised during the year	-	-
Reversed during the year (Refer to note 47)	(158,042)	-
Unwinding of discount factor	-	-
Closing balance	-	158,042

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
5. Employee benefits		
Defined benefit plan	56,176,139	37,520,762
Change in Liability		
Opening balance	49,009,950	37,167,381
Service Cost	1,284,505	1,329,131
Interest Cost	4,104,431	3,278,394
Recognised actuarial gains	3,639,677	9,229,024
Benefits Paid	(1,862,424)	(1,993,980)
Closing balance	56,176,139	49,009,950
Unrecognised actuarial gains/(losses)		
Opening Balance	-	353,380
Corridor Maximum	3,639,677	8,875,644
New gains / (losses)	(3,639,677)	(9,229,024)
	-	-
Statement of Financial Position		
Projected Benefit Obligation	49,009,950	49,009,950
Plan Assets	-	-
Net Obligation/(Asset)	7,166,189	-
Unrecognised past service cost	-	-
Unrecognised transitional obligation	-	-
Net Obligation/(Asset) in Statement of Financial Position	56,176,139	49,009,950
Net expense recognised in the statement of financial performance		
Service cost	1,284,505	1,329,131
Interest cost	4,104,431	3,278,394
Recognised actuarial losses/(gains)	3,639,677	8,875,644
Past recognised actuarial gains / (losses)	(1,262,469)	-
Total included in employee related costs	7,766,144	13,483,169
Carrying value		
Opening value	50,272,419	38,783,230
Employer contribution	(1,862,424)	(1,993,980)
Amount recognised in Statement of Financial Performance	7,766,144	13,483,169
Closing value	56,176,139	50,272,419
Key assumptions used		
Discount rates used	8.08 %	8.55 %
Medical inflation rate	6.89 %	7.29 %

The basis used to determine the health care cost inflation rate is as follow: The assumed rate of retail inflation was derived by subtracting the long-term index linked bond yield (the R197) from a fixed coupon bond yield with a roughly similar term (the R186) and allowing for a 0.5% inflation risk premium. The corresponding rates for the two bonds were 2.07% and 8.08% at 30 June 2012. The retail inflation rate was therefore set at 5.39% per annum, in line with the market's expectation. South Africa has experienced high health care cost inflation in excess of retail inflation in recent years and we have assumed that health care cost inflation will exceed general inflation by about 1.5% per annum. The health care cost inflation rate was therefore set at 6.89% per annum.

WEST COAST DISTRICT MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand

2012

2011

5. Employee benefits (continued)

The basis used to determine pre-retirement mortality is as follows: The SA85/90 ultimate mortality table was used in the valuation for the mortality of current employees. This is the most recent South African Life table and is also the table most often used by Live Insurance.

The basis used to determine post-retirement mortality is as follows: The PA90 ultimate mortality table rated down by one year was used in the valuation for the mortality of pensioners. For the post-retirement mortality of active members, the PA90 ultimate mortality table rated down by one year was also used in the valuation.

The basis used to determine normal retirement age is as follows: The assumption was made that males will retire at age 60 and females at 55. It is possible for employees to take early retirement from age 50, and still qualify for the subsidy. For current employees and pensioners it was assumed that males were four years older than their female spouses. For current employees it was assumed that 80% of them would be married when the subsidy commences.

The basis on which the discount rate has been determined is as follow: GRAP 25 requires that the Municipality's liabilities be discounted with reference to the yield on high quality corporate debt. In South Africa there is not a liquid market in corporate debt and therefore we have used the gross government R186 long-term bond yield which was equal to 8.08% effective per annum as at 30 June 2012. This valuation interest rate has been used to determine the present value of future benefit payments before and after retirement. Note that in the valuation as at 30 June 2011 a gross yield of 8.55% per annum was used. Using the assumed discount rate of 8.08% and the assumed health care cost inflation rate of 6.89% means that the net effective discount rate amounts to 1.11% per annum.

Ajustments to subsidies is as follow: An increase of 4% in current subsidies was allowed for to reflect the valuation date being in the middle of the calender year over which the standard medical aid contribution rates apply.

Experience adjustment

(A) Plan liabilities	-	8.000
(B) Plan assets	-	-

Sensitivity Analysis

The actual liability faced by the Municipality in the future will depend on the actual experience in respect of these assumptions. The liabilities were recalculated to illustrate the impact that changes in some of the major assumption will have on the liabilities. The following changes were made:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost	(21)	28
Effect on defined benefit obligation	(13)	16

Defined contribution plan

The Cape Joint Pension fund is a defined benefit multi-employer plan which is accounted for as a defined contribution plan. Consequently, any deficit identified is required to be recognised as a liability in the period in which it arises. The portion of the deficit relating to West Coast District municipality needs to be recognised when identified by The Cape Joint Pension fund. At the 30 June 2011, the shortfall relating to the portion allotted to West Coast District Municipality totalled R942 672.

The interest on the allotted portion are for the period February 2010 to August 2011,

6. Employee benefits accrual

Performance bonus	215,004	248,448
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Performance bonuses accrue to employees on a yearly basis , subject to certain conditions. The provision is 14% of the actual salary package of the employees.

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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6. Employee benefits accrual (continued)

Reconciliation of provision

Balance at beginning of year	248,448	229,027
Transfers	-	-
Contributions to provision	169,237	194,804
Interest on Investments	-	-
Expenditure incurred	(202,681)	(175,383)
Balance at end of year	215,004	248,448

Bonus	176,483	115,619
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Bonuses are paid to all municipal staff, excluding section 57 managers. Bonuses are payable in November of each financial period.

Reconciliation of provision

Balance at beginning of year	115,619	124,432
Contributions to provisions	2,493,182	2,345,059
Expenditure incurred	(2,432,318)	(2,353,872)
	176,483	115,619

7. Trade payables

Trade payables	7,061,055	4,247,669
Payments received in advanced - contract in process	24,409	46,719
Accrued leave pay	3,779,139	3,563,528
Retentions	3,189,784	5,397,875
Sundry creditors	6,712,823	16,770,550
Deferred operating lease payments	4,809,860	2,687,555
Trade creditors	25,577,070	32,713,896

WEST COAST DISTRICT MUNICIPALITY

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Figures in Rand	2012	2011
8. Government grants and subsidies		
Equitable share	-	6,291,637
RBIG Funds	4,057,808	3,788,000
DMA Electricity	2,157,567	696,888
Prov Management Support Grant	167,643	-
Vuna Awards	-	953,845
Wupperthal - RDP Water	-	88,092
MSIG	790,000	775,220
Finance Management Grant	1,579,360	1,192,953
Development Unit	-	69,560
Capacity Building: Global Fund	-	705,715
Western Gateway	-	5,853
WCDM Tourism Road Signage	-	4,043
LEGSETA	-	161,373
Drought Relief Programme	15,705	976,873
Gateway Vanrhynsdorp	-	221,135
Drought Relief Programme Kliprand	-	128,435
Training of Housing Officials	8,565	175,682
Bulk Water Master Plan	-	500,000
Social Development Projects	-	49,175
Alternative Water Reserve Study	-	213,584
Rural Area Water	-	308,186
Asset Management Bulk Water	75,068	35,912
Bucket Eradication Chatsworth	-	63,682
Knersvlakte Biosphere	148,058	-
Ignite Assist	423,018	208,532
Sportsgrounds DMA	-	739,454
Thuson Centre	98,277	61,723
Cederberg Biosphere	27,931	9,051
Donations Mayor	30,599	-
Other Government Grants and Subsidies	68,457,320	63,092,302
	78,036,919	81,516,905

8.1) Equitable share

Balance unspent at the beginning of the year	-	1,658,995
Current year receipts	-	4,540,103
Current year interest	-	92,539
Conditions met - transferred to revenue	-	(6,291,637)
Other	-	-
Conditions still to be met - transferred to liabilities	-	-

8.2) RBIG Funds

Balance unspent at the beginning of the year	-	-
Current year receipts	4,520,100	3,788,000
Current year interest	-	-
Conditions met - transferred to revenue	(4,057,808)	(3,788,000)
Other	-	-
Conditions still to be met - transferred to liabilities	462,292	-

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
8. Government grants and subsidies (continued)		
8.3) DMA Electricity		
Balance unspent at the beginning of the year	101,353	797,641
Current year receipts	2,056,213	600
Current year interest	-	-
Conditions met - transferred to revenue	(2,157,567)	(696,888)
Other	-	-
Conditions still to be met - transferred to liabilities	(1)	101,353
8.4) Vuna Award		
Balance unspent at the beginning of the year	-	953,845
Current year receipts	-	-
Current year interest	-	-
Conditions met - transferred to revenue	-	(953,845)
Other	-	-
Conditions still to be met - transferred to liabilities	-	-
8.5) Wupperthal - RDP Water		
Balance unspent at the beginning of the year	-	88,092
Current year receipts	-	-
Current year interest	-	-
Conditions met - transferred to revenue	-	(88,092)
Other	-	-
Conditions still to be met - transferred to liabilities	-	-

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
8. Government grants and subsidies (continued)		
8.6) MSIG		
Balance unspent at the beginning of the year	-	25,220
Current year receipts	790,000	750,000
Current year interest	-	-
Conditions met - transferred to revenue	(790,000)	(775,220)
Other	-	-
Conditions still to be met - transferred to liabilities	-	-
8.7) Finance Management Grant		
Balance unspent at the beginning of the year	329,360	522,313
Current year receipts	1,250,000	1,000,000
Current year interest	-	-
Conditions met - transferred to revenue	(1,579,360)	(1,192,953)
Other	-	-
Conditions still to be met - transferred to liabilities	-	329,360
8.8) Development Unit		
Balance unspent at the beginning of the year	-	69,560
Current year receipts	-	-
Current year interest	-	-
Conditions met - transferred to revenue	-	(69,560)
Other	-	-
Conditions still to be met - transferred to liabilities	-	-
8.9) Capacity Building: Global Fund		
Balance unspent at the beginning of the year	-	705,715
Current year receipts	-	-
Current year interest	-	-
Conditions met - transferred to revenue	-	(705,715)
Other	-	-
Conditions still to be met - transferred to liabilities	-	-
8.10) Western Gateway		
Balance unspent at the beginning of the year	-	5,853
Current year receipts	-	-
Current year interest	-	-
Conditions met - transferred to revenue	-	(5,853)
Other	-	-
Conditions still to be met - transferred to liabilities	-	-
8.11) WCDM Tourism Road Signage		
Balance unspent at the beginning of the year	-	4,043
Current year receipts	-	-
Current year interest	-	-
Conditions met - transferred to revenue	-	(4,043)
Other	-	-
Conditions still to be met - transferred to liabilities	-	-
8.12) LEGSETA		

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
8. Government grants and subsidies (continued)		
Balance unspent at the beginning of the year	-	161,373
Current year receipts	-	-
Current year interest	-	-
Conditions met - transferred to revenue	-	(161,373)
Other	-	-
Conditions still to be met - transferred to liabilities	-	-
8.13) Drought Relief Programme		
Balance unspent at the beginning of the year	15,705	992,578
Current year receipts	-	-
Current year interest	-	-
Conditions met - transferred to revenue	(15,705)	(976,873)
Other	-	-
Conditions still to be met - transferred to liabilities	-	15,705
8.14) Gateway Vanrhynsdorp		
Balance unspent at the beginning of the year	-	221,134
Current year receipts	-	-
Current year interest	-	-
Conditions met - transferred to revenue	-	(221,134)
Other	-	-
Conditions still to be met - transferred to liabilities	-	-
8.15) Drought Relief Kliprand		
Balance unspent at the beginning of the year	-	128,435
Current year receipts	-	-
Current year interest	-	-
Conditions met - transferred to revenue	-	(128,435)
Other	-	-
Conditions still to be met - transferred to liabilities	-	-
8.16) Paternoster Archeo - Tourism trail		
Balance unspent at the beginning of the year	-	-
Current year receipts	-	-
Current year interest	-	-
Conditions met - transferred to revenue	-	-
Other	-	-
Conditions still to be met - transferred to liabilities	-	-
8.17) Training of Housing Officials		
Balance unspent at the beginning of the year	8,565	184,246
Current year receipts	-	-
Current year interest	-	-
Conditions met - transferred to revenue	(8,565)	(175,682)
Other	-	-
Conditions still to be met - transferred to liabilities	-	8,564
8.18) Bulk Water Master Plan		
Balance unspent at the beginning of the year	-	-
Current year receipts	-	500,000
Current year interest	-	-
Conditions met - transferred to revenue	-	(500,000)
Conditions still to be met - transferred to liabilities	-	-

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
8. Government grants and subsidies (continued)		
8.19) Social Development Projects		
Balance unspent at the beginning of the year	-	49,175
Current year receipts	-	-
Current year interest	-	-
Conditions met - transferred to revenue	-	(49,175)
Other	-	-
Conditions still to be met - transferred to liabilities	-	-
8.20) Alternative Water Reserve Study		
Balance unspent at the beginning of the year	-	213,584
Current year receipts	-	-
Current year interest	-	-
Conditions met - transferred to revenue	-	(213,584)
Other	-	-
Conditions still to be met - transferred to liabilities	-	-
8.21) Cederberg Biosphere		
Balance unspent at beginning of year	27,931	36,982
Current-year receipts	-	-
Conditions met - transferred to revenue	(27,931)	(9,051)
Other	-	-
Conditions still to be met - transferred to liabilities	-	27,931
8.22) Knersvlakte Biosphere		
Balance unspent at beginning of year	148,058	148,058
Current-year receipts	-	-
Conditions met - transferred to revenue	(148,058)	-
Other	-	-
Conditions still to be met - transferred to liabilities	-	148,058
8.23) Thusong Centre		
Balance unspent at beginning of year	98,277	-
Current-year receipts	-	160,000
Conditions met - transferred to revenue	(98,277)	(61,723)
Other	-	-
Conditions still to be met - transferred to liabilities	-	98,277
8.24) Provincial Management Support Grant		
Balance unspent at beginning of year	1,000,000	-
Current-year receipts	-	-
Conditions met - transferred to revenue	(167,643)	1,000,000
Other	-	-
Conditions still to be met - transferred to liabilities	832,357	1,000,000
8.25) Donations Mayor		
Balance unspent at beginning of year	-	-
Current-year receipts	51,000	-
Conditions met - transferred to revenue	(30,599)	-
Other	-	-
Conditions still to be met - transferred to liabilities	20,401	-

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
8. Government grants and subsidies (continued)		
8.26) Ignite Assist		
Balance unspent at beginning of year	468,566	677,099
Current-year receipts	-	-
Conditions met - transferred to revenue	(423,018)	(208,533)
Other	-	-
Conditions still to be met - transferred to liabilities	45,548	468,566
8.27) Asset Management Bulk Water		
Balance unspent at beginning of year	122,209	158,121
Current-year receipts	-	-
Conditions met - transferred to revenue	(75,068)	(35,912)
Other	-	-
Conditions still to be met - transferred to liabilities	47,141	122,209

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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8. Government grants and subsidies (continued)

Summary of Government Grants and Subsidies

PAWC and State Funds: Various Projects (See note 46)	1,387,338	2,218,671
Other balances not included in Developers or Public Contributions	1,387,338	2,218,671
	-	-
Developers Contributions - Electricity (See note 46)	-	101,353
	-	-
Public Contributions (See note 46)	20,401	-
Donations Mayor	20,401	-
	-	-
	1,407,739	2,320,024

9. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	15,241,364	-	15,241,364	17,388,231	-	17,388,231
Buildings	59,403,483	(13,660,628)	45,742,855	71,187,431	(12,043,536)	59,143,895
Infrastructure	279,570,685	(48,834,912)	230,735,773	276,569,002	(45,146,164)	231,422,838
Other	53,923,239	(33,840,106)	20,083,133	53,167,201	(27,109,587)	26,057,614
Total	408,138,771	(96,335,646)	311,803,125	418,311,865	(84,299,287)	334,012,578

Please refer to the detailed schedule B of Property, Plant and Equipment.

10. Investment property

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Ganzekraal beach development	5,474,271	(543,110)	4,931,161	5,474,271	(440,862)	5,033,409

Reconciliation of investment property - 2012

	Opening balance	Other changes, movements	Total
Land and Buildings	5,033,409	(102,248)	4,931,161

Reconciliation of investment property - 2011

	Opening balance	Other changes, movements	Total
Land and Buildings	5,125,003	(91,594)	5,033,409

Fair value of investment properties	-	8,881,850
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WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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10. Investment property (continued)

The municipality owns a beach development (Ganzekraal). The property is 2332.6578 hectares and the municipality receives rental income (camping fees).

11. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	1,164,606	(719,151)	445,455	1,151,300	(493,763)	657,537

Reconciliation of intangible assets - 2012

Carrying values at 1 July	-	-
Cost at the beginning of the period	1,151,300	1,152,312
Correction of Error	-	(14,300)
Additions for the period:	13,306	13,288
Cost at the end of the period	1,164,606	1,151,300
Accumulated amortisation at the beginning of the period	496,155	266,659
First time recognition on implementation of GRAP 102	-	(1,400)
Correction of Error	-	-
Current amortisation	222,996	228,504
Less: Accumulated amortisation at the end of the period	719,151	493,763
Impairment losses recognised in profit or loss during the period	-	-
Impairment losses reversed in profit or loss during the period	-	-
Assets classified as held for sale	-	-
Disposals	-	-
Carrying values at 30 June	445,455	657,537

Other information

The municipality acquired intangible assets with finite useful lives of five years. The straight-line method of amortisation will be used to allocate the depreciable amount of an asset on a systematic basis over its useful life.

12. Inventories

Consumable stores - at cost	750,602	638,687
Water - at cost	674,925	555,239
	1,425,527	1,193,926

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
13. Trade receivables		
Gross balances		
Rates	-	47,557
Electricity	30,088	45,170
Water	6,629,623	6,323,502
Sewerage	6,181	29,912
Housing rental	108,555	47,557
Other	-	11,972
	6,774,447	6,505,670
Provision for debt impairment		
Provision for bad debts	(150,063)	(255,432)
Net balance		
Electricity	30,088	45,170
Water	6,629,623	6,323,502
Sewerage	6,181	29,912
Housing rental	-	47,557
Housing Rental	108,555	88,966
Other (specify)	-	11,972
Provision for bad debts	(150,063)	(255,432)
Net balance	6,624,384	6,291,647
Service debtors		
Current (0 -30 days)	6,352,722	6,110,984
31 - 60 days	207,682	241,970
61 - 90 days	59,805	90,055
91 - 120 days	16,080	23,431
121 - 365 days	29,603	80,639
	6,665,892	6,547,079
Housing Rental		
Current (0 -30 days)	68,698	76,707
31 - 60 days	18,505	11,011
61 - 90 days	8,437	1,146
91 - 120 days	4,228	102
121 - 365 days	8,687	-
	108,555	88,966
Rates		
121 - 365 days	-	47,557
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	6,421,421	6,110,984
31 - 60 days	226,187	241,970
61 - 90 days	68,242	90,055
91 - 120 days	20,307	23,431
121 - 365 days	38,290	80,639
> 365 days	-	-
	6,774,447	6,547,079
Less: Provision for debt impairment	(150,063)	(255,432)
	6,624,384	6,291,647

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
13. Trade receivables (continued)		
Reconciliation of debt impairment provision		
Balance at beginning of the year	255,432	421,053
Contributions to provision	204,910	245,824
Debt impairment written off against provision	(310,279)	(411,445)
	150,063	255,432

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above.

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

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Figures in Rand	2012	2011
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14. Other trade receivables

Other	6,657,442	4,776,579
Insurance claim	19,126	21,890
Total other debtors	6,676,568	4,798,469

15. VAT receivable

VAT	1,796,332	2,811,102
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VAT is payable on the receipts basis. Only once payments is recieved from debtors is VAT paid over to SARS.

Reconciliation of VAT accounts

VAT 201 returns as at 30 June	1,252,143	3,591,798
VAT not paid on VAT 201 return	-	(28,132)
VAT not claimed on VAT 201 return	1,755,641	45,623
VAT Output	(1,211,452)	(798,187)
	1,796,332	2,811,102

16. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Cash book balances	8,783,850	26,318,782
Short-term investments	125,456,146	125,005,620
Floats	450	450
Total cash and cash equivalents	134,240,446	151,324,852

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
First National Bank - Current Account - Account Number 62001436014	8,011,164	23,443,148	8,011,164	23,443,148
First National Bank - Current Account - Account Number 53060007920	812,866	2,899,929	772,686	2,875,634
Floats	450	450	450	450
Short-term investments	125,456,146	125,005,620	125,456,146	125,005,620
Total	134,280,626	151,349,147	134,240,446	151,324,852

The short-term investments included are as follows:

First National Bank (Account no : 61306816905)	14,764,222	2,129,653
Investec (Account no: 1100459205620)	-	10,591,825
Absa Bank (Account no : 2069279971)	56,252,379	53,148,602
Nedcor (Account no : 03 / 7881714522 / 62)	33,761,346	31,880,975
Absa Bank (Account no : 2069279939)	-	27,254,565
Standard Bank (Account no: 288730844)	20,678,199	-
Total Investment Deposits	125,456,146	125,005,620

Average Rate of Return on Investments
6.03%

Fixed deposits amounting to R7 944 149 (2011 : R7 049 641) has been ring - fenced for the purpose of repaying long - term liabilities as set out in Note 30.

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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17. Property rates

Actual

Residential	-	867,789
Commercial	-	-
State	-	-
Total assessment rates	-	867,789

Valuations

Residential	-	853,999,650
Commercial	-	-
State	-	-
Total property valuation	-	853,999,650

Valuations on land and buildings are performed every four years.
The last valuation came into effect on 1 July 2007.

18. Service charges

Sale of electricity	274,918	1,185,564
Sale of water	80,229,388	72,570,504
Sewerage and sanitation charges	70,724	584,994
Fire fighting services	-	-
	80,575,030	74,341,062

19. Other revenue

Non - exchange transactions

Sundry overpayments	49,820	25,727
Permit fees (inland water)	112,140	114,400
Liquidated damages	-	2,240
Interest on debtors	30,367	14,084
Cemetery fees	-	240
Building plan fees	116,230	1,591
Search fees	-	1,415
Sundry income	4,247,031	3,622,769
	4,555,588	3,782,466

Exchange transactions

Resort income	2,535,550	2,443,719
Rent	2,896,686	1,246,279
Water services	5,224,401	5,261,858
	10,656,637	8,951,856

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
20. Employee related costs		
EMPLOYEE RELATED COSTS	-	-
Employee related costs - Salaries and Wages	49,272,288	44,034,597
Employee related costs - Contributions for UIF, pensions and medical aids	16,698,910	8,656,811
Bonus	3,015,769	2,947,489
Bonus (Roads)	1,251,134	-
Travel, motor car, accommodation, subsistence and other allowances	7,539,477	8,298,957
Overtime payments	4,021,155	4,712,840
Long-service awards	283,999	157,561
Long Service Awards (Roads)	107,061	-
Housing benefits and allowances	535,348	320,911
Less: Employee costs included in other expenses	(16,540,709)	(4,311,272)
	66,184,432	64,817,894
Remuneration of municipal manager		
Annual Remuneration	1,162,116	1,080,648
Car Allowance	195,576	195,273
Performance Bonuses	65,381	48,216
Contributions to UIF, Medical and Pension Funds	29,433	31,701
	1,452,506	1,355,838
Remuneration of deputy municipal manager		
Annual Remuneration	-	130,816
Car Allowance	-	4,153
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	-	850,578
	-	985,547
Remuneration of chief financial officer		
Annual Remuneration	772,368	728,400
Car Allowance	26,876	26,448
Performance Bonuses	45,766	33,951
Contributions to UIF, Medical and Pension Funds	171,744	160,487
	1,016,754	949,286
Remuneration of individual executive directors - Technical Services		
Annual Remuneration	810,000	763,200
Car Allowance	13,640	13,212
Performance Bonuses	45,766	33,951
Contributions to UIF, Medical and Pension Funds	147,348	253,403
Other Allowances	101,250	-
	1,118,004	1,063,766
Remuneration of individual executive directors - Corporate Services		
Annual Remuneration	800,400	753,600
Car Allowance	24,968	24,540
Performance Bonuses	45,766	33,951
Contributions to UIF, Medical and Pension Funds	145,620	137,195
	1,016,754	949,286

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20. Employee related costs (continued)

Remuneration of individual executive directors - Community Services

Annual Remuneration	-	888,000
Car Allowance	-	12,065
Performance Bonuses	-	25,313
Contributions to UIF, Medical and Pension Funds	-	15,270
	-	940,648

21. Remuneration of councillors

Executive Major	451,773	605,088
Deputy Executive Mayor	508,273	484,071
Speaker	324,705	484,071
Councillors and Secretarial support	671,150	1,787,213
Councillors' pension contribution	157,220	327,575
Executive Committee Members	1,538,888	1,011,794
	3,652,009	4,699,812

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

22. Repairs and maintenance

Repairs and Maintenance consist of the following:

Executive and Council	-	1,301
Finance and Administration	1,179,101	551,278
Health	23,371	9,020
Community and Social Services	-	375,706
Housing	162,084	147,849
Public Safety	500,687	552,258
Road Transport	15,767,427	60,774,657
Water Services	3,508,266	2,897,192
Electricity Services	-	121,798
	21,140,936	65,431,059

23. Finance costs

Long term liabilities	11,163,905	8,173,633
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24. Bulk purchases

Electricity	-	1,277,673
Water	7,628,846	6,054,772
	7,628,846	7,332,445

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25. General expenses		
Advertising	424,119	522,367
Assessment rates & municipal charges	432,994	407,819
Auditors remuneration	1,617,316	1,456,023
Plant and Indirect Accounts - Roads	43,088,045	-
Computer expenses	559,602	587,949
Delivery expenses	160,070	-
Insurance	173,068	174,285
Rental offices	1,336,133	192,074
Water demand management	131,534	85,880
Lease rentals on operating lease	10,649,015	10,679,356
Magazines, books and periodicals	30,537	-
Medical aid fund	7,238,723	6,011,172
Vehicle: petrol & oil	252,779	199,129
Leave fund	793,657	447,857
Contribution to free municipal service	539,431	1,471,953
Fuel and oil	2,449,666	1,923,425
Printing and stationery	760,919	695,844
Project maintenance costs	1,266,542	1,442,035
Security officers	340,955	423,144
Telephone and fax	1,263,936	1,757,284
Transport and freight	2,195,955	2,039,280
Subsistence allowances	773,535	857,287
Electricity	13,079,658	10,660,889
Water and milk samples	261,424	251,033
Chemicals	5,110,983	4,892,799
Skills development levy	528,740	542,858
Exhibitions	418,555	648,680
Contributions and grants	729,692	787,633
Professional service	2,076,057	1,954,479
Interest transfer	3,713	214,814
Housing operators	323,227	376,854
Other operating expenses	15,163,822	29,535,603
	114,174,402	81,239,805

26. Correction of error

26.1) PROPERTY, PLANT AND EQUIPMENT	Opening balance before reclassification	Adjustment	Balance After adjustment
Depreciation			-
During the current financial year the municipality corrected an error. Depreciation of R673 295 was incorrectly deducted in the annual financial statements as first time adoption of GRAP 17.	(85,233,911)	673,295	(84,560,616)
26.2) VAT			-
During the current financial year the municipality corrected a error. Amount of R31 614 relating to Input VAT was not claimed from the South African Revenue Service in the financial statements for the year ended 30 June 2011.	-	(31,614)	-
26.3) Defined contribution plan			-
During the current financial year the municipality corrected a error. An amount of R145 930 related to interest was reversed in the financial statements. This was due to a shortfall relating to a liability identified by the Cape Joint Pension fund totalling R942 672	(145,930)	145,930	-
	(85,379,841)	787,611	(84,560,616)

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26. Correction of error (continued)

CORRECTION OF ERROR - 30 June 2012

Opening accumulated surpluses as previously reported	322,303,481	
Correction of Error	787,611	
Correction of error Depreciation	673,295	
Correction of Defined contribution plan	145,930	
Correction of VAT expense	(31,614)	
	323,091,092	

Prior period adjustment

The following prior period adjustment amounting to (R115 620) was made to accumulated surplus of this Municipality. This was due to the provision of bonuses for all staff members excluding Section 57 employees.

(115,620)	-
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27. Change in accounting estimate

Property, plant and equipment

Cost

The following change in estimate amounting to R 1 086 085 (2011: R 224 976) was made to cost reported in the financial statements of this Municipality and is applied prospectively.

The change in accounting estimate is due to the efforts of this Municipality to comply with GRAP 17 (Property, plant and equipment) within the transitional provisions provided by the Accounting Standards Board. The municipality had noted that these assets had a zero book value at year end and then had re-assessed the value and useful life of these assets.

Cost Adjustment	1,086,085	224,976
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The following change in accounting policy amounting to R 0 (2011: R 4 335 300) was made to cost reported in the financial statements of this Municipality and is applied retrospectively.

The change in accounting policy is due to the efforts of this Municipality to comply with GRAP 17 (Property, plant and equipment) within the transitional provisions provided by the Accounting Standards Board. Previously these assets had a cost of zero or depreciated to zero. These assets have now had their useful lives re-evaluated and been revalued based on the condition of the asset and the depreciable replacement cost.

Cost Adjustment	-	4,335,300
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Net effect on the Accumulated Surplus	1,086,085	4,560,276
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28. Accumulated surplus		
Balance as at 1 July 2011 previously reported		322,419,101
Prior period adjustments (Provision for Bonuses)		(115,620)
Correction of Error		787,611
Restated Balance as at 1 July 2011		323,091,092
Change in accounting estimate due to adoption of GRAP 17 and PY Adjustment		1,086,085
Net income/loss for the period		(30,877,098)
.		293,300,079
29. Cash (used in) generated from operations		
Deficit	(30,877,098)	(593,817)
Adjustments for:		
Depreciation and amortisation	19,525,862	18,350,515
Loss / (Gain) on PPE	(425,603)	(124,736)
Error note	1,232,014	5,291,120
Changes in working capital:		
Inventories	(231,601)	(58,294)
Other debtors	(1,878,099)	(3,000,766)
Debtors	(332,738)	(3,945,035)
Trade payables	(7,136,825)	7,165,463
VAT	983,157	1,137,459
Benefits accrual	27,419	19,421
Other payables	(912,285)	(6,593,361)
Provisions	(158,042)	8,805
Employee benefit	6,077,586	11,489,188
	(14,106,253)	29,145,962
30. Utilisation of Long-term liabilities reconciliation		
Long - term liabilities (see Note 3)	91,090,484	98,165,457
Used to finance property, plant and equipment	(91,090,484)	(98,165,457)
Cash set aside for the repayment of long-term liabilities	7,944,149	7,049,641
Cash invested for repayment of long - term liabilities	7,944,149	7,049,641
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.		
31. Unauthorised expenditure		
Reconciliation of Unauthorised expenditure		
Opening balance	-	-
Unauthorised expenditure current year	-	-
Approved by Council or condoned	-	-
Unauthorised expenditure awaiting authorisation	-	-

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32. Fruitless and wasteful expenditure		
Reconciliation of Fruitless and wasteful expenditure		
Opening balance	-	-
Unauthorised expenditure current year	-	-
Condoned or written off by Council	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-
33. Irregular expenditure		
Opening balance	-	2,622,741
Less: Amounts not recoverable (not condoned)	-	(2,622,741)
Irregular expenditure awaiting condonement	-	-
The irregular expenditure will be submitted to council for condonement		
34. Additional disclosure in terms of Municipal Finance Management Act		
34.1) Contributions to organised local government		
Opening balance	-	-
Council subscriptions	420,713	203,573
Amount paid - current year	(420,713)	(203,573)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
34.2) Audit fees		
Opening balance	-	-
Current year audit fee	1,617,316	1,456,022
Amount paid - current year	(1,617,316)	(1,456,022)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
34.3) PAYE and UIF		
Opening balance	-	-
Current year payroll deductions	13,188,802	11,892,435
Amount paid - current year	(13,188,802)	(11,892,435)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
34.4) Pension and Medical Aid Deductions		
Opening balance	-	-
Current year payroll deductions and Council Contributions	11,369,995	8,645,425
Amount paid - current year	(11,369,995)	(8,645,425)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

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34. Additional disclosure in terms of Municipal Finance Management Act (continued)

34.5) VAT

VAT receivable	1,796,332	2,811,102
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VAT inputs receivables and VAT output receivables are shown in note 15.

All VAT returns have been submitted by the due date throughout the year.

34.6) Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012:

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. C Ovies	-	-	-
30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. C Ovies	98	-	98

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

35. Capital Commitments

Authorised capital expenditure

Commitments in respect of capital expenditure

Approved and contracted for	46,016,126	12,700,570
Other Structures (Infrastructure)	46,016,126	12,700,570
Other	-	-
	46,016,126	12,700,570

This expenditure will be funded from the External Loan and Accumulated Surplus. Capital commitments are specific capital projects approved per tender and budget but still in progress at period end.

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36. Retirement Benefit Information

The Municipality provides retirement benefits for all its permanent employees through a defined contribution plan, which is subject to the Pension Fund Act, 1956 as amended. The Municipality's contributions to the plan during the year were:

Cape Joint Pension Fund	333,613	296,528
Cape Joint Pension Fund shortfall	942,672	942,672
Cape Joint Retirement Fund	13,911,839	13,205,169
Councillors Pension Fund	324,108	627,852
Defined contribution plan	15,512,232	15,072,221

Cape Joint Pension fund, which is a defined multi - employer contribution fund. Contribution ratio employees 9% and Council 18%.

Cape Joint Retirement Fund, which is a defined multi - employer contribution fund. Contribution ratio employees 9% and Council 18 %.

Councillors of the West Coast District Municipality are members of the Municipal Councillors Pension Fund, which is a defined contribution plan. Contribution ratio Councillors 13.75% and Council 15%.

Multi employer funds are treated as defined contribution funds.

Shortfall

Amount outstanding from the Cape Joint Pension Fund.

- 942,672

The amount was calculated using the following variables.

Rule 17(5) of the fund

-

37. Related parties

The following related parties exist:

National Treasury
Provincial Treasury
Department of Water Affairs and Forestry
Sanlam Credit
Development Bank of South Africa (DBSA)
ABSA Bank
H F Prins (Municipal Manager)
J Koekemoer (Chief Financial Officer)
W Markus (Director: Corporate Services)
I A B van der Westhuizen (Director: Technical Services)

Related party balances

Grants received from related parties

National Treasury	2,328,000	6,037,999
Provincial Treasury	5,218,258	2,703,499
Department of Water Affairs and Forestry	-	600,000
Private donations	2,056,813	600

Loan from related parties

Sanlam Credit	22,579,669	24,988,271
Development Bank of South Africa (DBSA)	35,598,185	38,177,185
ABSA Bank	32,912,629	35,000,000

Purchases of goods and services from related parties

Department of Water Affairs and Forestry	7,628,846	6,054,772
Eskom	-	1,278,422

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38. Leases

The total future minimum operating lease payments payable under existing operating lease arrangements are categorised as follows:

a) Within one year of the reporting date	6,789,094	5,347,866
b) More than one year but less than five years of the reporting date, and	41,394,899	37,027,570
c) More than five years of the reporting date	16,592,885	26,286,700
Total future minimum operating lease payments	64,776,878	68,662,136

The municipality entered into an operating lease for the rental of two photocopiers and 1 fax machines for five years with Mduli Sharp. The date of inception was December 2007 with no escalation clause. The equipment numbers of the photocopiers are AR 1161.

The municipality entered into an operating lease for the rental of five photocopiers for a five year period with Minolta. The serial numbers of the photocopiers are 21765659, 21765661, 21718750, 21718734 and 21765621. There are no escalation clause.

The municipality entered into an operating lease for the rental of photo-copiers with Cape Office Machines. The serial numbers of the photo-copiers are 3639688703 and 3639688720. There are no escalation clause.

An operating lease transaction exists between the Council and the West Coast Financing Partnership for a ten year period. The payments are payable every six months. The properties is section 36 of the farm Yzervarkensrug number 125 and section 3 of division Malmesbury farm number 91.

The municipality entered into an operating lease for the rental of a emergency and disaster management information system. The lease is between Africon and the municipality. The contract is for a 1 year and 6 month period.

The municipality entered into an operating lease for the rental of two offices. The lease is between Frank Family Trust and the Municipality. The contract is for a 1 year period. The property involved is Voortrekker Road 47 Malmesbury.

The municipality entered into an operating lease for the rental of offices. The lease is between Zandbou Constructions and the Municipality. The contract is for a 1 year period. The property involved is erf 859 Riebeek-West.

The municipality entered into an operating lease for the rental of offices. The lease is between Jan & Marcelle Ellis and the Municipality. The contract is for a 3 year period. The property involved is "Soetkysie Centre 28 Piketberg".

The municipality entered into an operating lease for the rental of offices. The lease is between Carit Estate and the Municipality. The contract is for a 3 year period. The property involved is erf 6429 Vredenburg.

The municipality entered into an operating lease for the rental of offices. The lease is between J F J Swart and the Municipality. The contract is for a 3 year period. The property involved is erf 1472 Clanwilliam.

The municipality entered into an new operating lease for the rental of offices. The lease is between Carit Estate and the Municipality. The contract is for a 1 year period. The property involved is erf 6429 Vredenburg.

The municipality entered into an operating lease for the rental of offices. The lease is between Pelican Harbour and the Municipality. The contract is for a 2 year period. The property involved is site number 4.

The municipality entered into an operating lease for the rental of offices. The lease is between Pelican Harbour and the Municipality. The contract is for a 3 year period. The property involved is site West Coast Farmstal corner of R27 and R315, Yzerfontein.

The municipality entered into two operating leases agreements with Telkom SA which will take effect as soon as the services are delivered. The contract is for a 5 year period with no escalation clause.

The municipality entered into an operating lease for the rental of storage capacity. The lease is between D Joubert and the Municipality. The contract is for a 5 month period. The property involved is erf 859 Riebeek-West.

The municipality entered into an operating lease for the rental of offices. The lease is between Saldanha Municipality and this Municipality. The contract is for a month to month period. The property involved is erf 860 Langebaan.

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39. Financial risk management

Overview

The Municipality has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

The council has overall responsibility for the establishment and monitoring of the Municipality's risk management policies and procedures which have been established to identify and analyse the risks faced by the municipality to set appropriate risk limits and controls and to monitor risks and adherence to the limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the municipality's activities.

Liquidity risk

Liquidity risk is the risk that the Municipality will not be able to meet its financial obligations as they fall due. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The Municipality monitors cash flow requirements and has arranged credit facilities with its suppliers.

Interest rate risk

The Municipality finances its operations through a combination of credit from supplies, and retained reserves and generally adopts a policy of ensuring that its exposure to changes in interest rates is on a fixed rate basis. The Municipality does not utilise derivative financial instruments to hedge its interest rate risk exposures.

Credit risk

Credit risk is the risk of financial loss to the Municipality if a consumer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Municipality's receivables from consumers.

The municipality's exposure to credit risk is influenced mainly by the individual characteristics of consumer. There is no significant concentration of unsecured credit risk.

An allowance for bad debt is established based on managements' estimate of identified incurred losses in respect of specific trade and other receivables. Bad debts identified are written off on a yearly basis.

Reputable financial institutions are used for investing and cash handling purposes.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rate will affect the Municipality's income. The objective of market risk management is to manage and rate will affect the Municipality's income. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

The policy of the Council is to maintain a strong capital base so as to maintain market confidence and to sustain future development of the business. There were no changes in the Municipality's approach to capital management during the year.

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40. Financial Instruments

40.1) Credit risk

The carrying amount of receivables and loans represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Trade and other receivables	13,300,953	10,690,363
	-	-
	13,300,953	10,690,363

The ageing of trade and other receivables at the reporting date was:

Current	13,097,990	10,509,700
30 Days	226,187	241,970
60 Days	68,242	90,055
90 Days	20,307	23,431
120 Days plus	38,290	80,639
	13,451,016	10,945,795
Provision for bad debt	(150,063)	(255,432)
	13,300,953	10,690,363

The movement in the allowance for bad debt in respect of trade receivables over the year was:

Balance at the beginning of the year	255,432	421,053
Contributions to provision	198,563	214,247
Interest on Investment	6,347	31,577
Expenditure incurred	(310,279)	(411,445)
Balance at the end of the year	150,063	255,432

The allowance for bad debts in respect of trade receivables is used to record impairment losses until the Municipality is satisfied that no recovery of the amount owing is possible. At that point the amount is considered irrecoverable and written off directly against the financial assets.

40.2) Liquidity risk

The following are contractual maturities of financial liabilities, including interest payments and excludes the impact of netting agreements:

Non-derivative financial assets	Carrying Amount	Contractual Cash Flows	Within 1 Year	2 - 5 Years	More than 5 Years
2012					
Trade and other receivables	13,300,953	13,300,953	13,300,953	-	-
Cash and cash equivalents	134,240,446	134,240,446	134,240,446	-	-
	147,541,399	147,541,399	147,541,399	-	-
Non-derivative financial liabilities	Carrying Amount	Contractual Cash Flows	Within 1 Year	2 - 5 Years	More than 5 Years
2012					
Trade and other payables	21,797,932	21,797,932	21,797,932	-	-
Deferred Grants	1,407,739	1,407,739	1,407,739	-	-
Long term liabilities	91,090,484	91,090,484	7,944,149	56,428,960	26,717,374
	114,296,155	114,296,155	31,149,820	56,428,960	26,717,375

40.3) Interest rates risks

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The Municipality's exposure to interest rate risk and the effective interest rates on financial instruments at balance sheet date are as follows:

Non-derivative financial assets	Interest rate	Within 1 Year	2 - 5 Years	More than 5 Years
2012				
Assets				
Trade and other receivables	8.5%	13,300,953	-	-
Cash and cash equivalents - Short term investments	6.03%	125,456,146	-	-
Cash and cash equivalents - Cash book balances	3.5% floating	8,783,850	-	-
	-	<u>147,540,949</u>	-	-
Non-derivative financial liabilities				
	Interest rate	Within 1 Year	2 - 5 Years	More than 5 Years
2012				
Liabilities				
Trade and other payables	Interest free	21,797,932	-	-
Deferred Grants	Interest free	1,407,739	-	-
Long term liabilities	12.54%, 11.73% and 9.69%	7,944,149	56,428,960	26,717,375
	-	<u>31,149,820</u>	<u>56,428,960</u>	<u>26,717,374</u>

Sensitivity analysis

An increase of 1% in interest rates at 30 June would have increased/(decreased) financial assets and profit or loss by the amounts shown below. A decrease of 1% in interest rates at 30 June would have had the equal but opposite effect on the above financial instruments, on the basis that all other variables remain constant.

Non-derivative financial liabilities	Statement of Financial Position	Profit or loss	
2012			
Trade and other receivables	13,300,953	133,010	-
Cash and cash equivalents - Short term investments	125,456,146	1,254,561	-
Cash and cash equivalents - Cash book balances	<u>8,783,850</u>	<u>87,839</u>	-
	<u>147,540,949</u>	<u>1,475,410</u>	-

4) Fair values

Due to their short maturities the fair values of all financial instruments are substantially identical to the values reflected in the balance sheet.

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41. Accounting Policy Developments

The Minister of Finance has, in terms of Section 91 of the Public Finance Management Act, 1999 (Act number 1 of 1999), prescribed the following Standards set by the Accounting Standards Board in terms of Section 89:

At the date of authorization of these financial statements, the following Standards were in issue but not yet effective for this financial year..

GRAP 18 - Segment Reporting
 GRAP 21 - Impairment of non-cash-generating assets
 GRAP 23 - Revenue from non-exchange transactions (taxes and transfers)
 GRAP 24 - Presentation of budget information in financial statements
 GRAP 26 - Impairment of cash generating assets
 GRAP 103 - Heritage assets
 GRAP 104 - Financial Instruments

The effective date of these Standards are for periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91 (1)(a) of the Public Finance Management Act, Act No.1 of 1999 as amended if applicable.

Management began with a programme to establish the fair value of assets initially recognised at a nominal value during first time adoption of Generally Recognised Accounting Practice. This programme has been in progress for two years and management should ensure that this is completed by 30 June 2012.

Management has evaluated all of these Standards and the impact on future financial statements and has come to the conclusion that the impact of implementation of the above Standards are not significant.

42. Contingent Liabilities

The municipality is being sued by M J Visagie for injuries sustained in an accident in 2004. Council is contesting the claim based on legal advice. The legal experts believe that the Municipality has a reasonable chance of success. The case number is 8871 and 8872/2002.	-	-
The Municipality is being sued by P Juries. Council is contesting the claim based on legal advice. The legal experts believe the Municipality has a reasonable chance of success. The case number is 16035/2010.	-	-
The municipality is being sued by Tredoux, wife and on behalf of her minor (child) for injuries sustained in an accident within the boundaries of the WCDM. Council is contesting the claim based on legal advice. The legal experts believe that the municipality has a reasonable chance of success. The case number is 6660/08 and 7243/08. This is a High Court matter. The amount includes estimated legal fees and possible losses.	-	1,263,161
The municipality is being sued by Mr J A Kock an ex-worker for injuries contained while in the service of the municipality. Council is contesting the claim based on legal advice. The legal experts believe the municipality has a strong chance of success. The amount includes estimated legal fees and possible losses. Case number 18073/08	-	850,000
	-	2,113,161

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2011

43. Additional Disclosures in terms of Supply Chain Management Regulation

1. In terms of the Supply Chain Regulations No. 27636 - 30 May 2005 section 36 (1 - 3) a municipality is allowed to deviate from, and ratification of minor breaches of, the supply chain management processes. As per the reporting period the municipality had the following deviations from, and ratification of the supply chain management processes:

321 Design	16,000	-
Flex-it	46,925	-
Flex-it	65,879	-
Perdeberg Motors	10,415	-
Moorreesburg Koringboere	2,592	-
Moorreesburg Koringboere	2,219	-
Perdeberg Motors	2,606	-
African Oxygen LTD	10,561	-
Liplekker Take Aways	3,311	-
Brtiz Motors	5,882	-
Fidelity Security Services	46,369	-
Fidelity Security Services	53,788	-
Bio-Systems	51,500	-
Maxal Projects	2,592	-
High Angle Rescue and Access	37,620	-
High Angle Rescue and Access	39,600	-
Argent Steel Group	2,672	-
Endress & Hauser	8,156	-
Isuzu Truck Centre	2,801	-
Bearing Man LTD	2,387	-
ELB	4,223	-
Sure Swartland Travel	3,634	-
LPS Trekkeronderdele	2,850	-
Kimru IT Logix	1,800	-
Imperial Trucks	2,481	-
Enviroserv	5,328	-
Fire Raiders	507,318	-
Your Travel Companion	5,700	-
Monster Plumbing College	27,710	-
Hino (Imperial Truck)	7,132	-
Two Oceans Aquarium	4,400	-
Auma South Africa (Pty) Ltd	20,000	-
Flex-it	4,181	-
Becker Auto	3,500	-
Bell Equipment	24,632	-
Safety Mecca	152,178	-
Mapux Training Solutions	8,550	-
Tramco (Pty) Ltd	4,452	-
Imperial Trucks	2,932	-
GLS Consulting	9,485	-
Fidelity Security Services	53,788	-
Fidelity Security Services	53,788	-
Element Consulting Engineers	66,524	-
Two Oceans Aquarium	945	-
Spannies	10,000	-
Vag Riko	2,000	-
Moorreesburg Koringboere	10,000	-
Afrox	10,000	-
Auma	16,832	-
Sulzer	76,627	-
Barloworld Equipment	6,892	-
Emit - Environmental Management	3,800	-
Colas SA	5,962	-
Namaqua Garage	7,028	-
Saaymans Springworks CC	4,395	-
Britz Motors	9,478	-

WEST COAST DISTRICT MUNICIPALITY

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Figures in Rand	2012	2011
43. Additional Disclosures in terms of Supply Chain Management Regulation (continued)		
Imperial Trucks	5,806	-
Wear Check Africa	8,618	-
Department of Transport and Public Works	16,000	-
Enviroserv	5,700	-
Elizabethfontein Primêr	450	-
Clanwilliam Living Landscape	2,500	-
Bulshoekdam	2,040	-
South African Value Education	22,822	-
High Angle Rescue and Access	27,086	-
Boland Diesel	10,810	-
Barloworld Equipment	2,459	-
Engine & Gearbox Exchange CC	6,270	-
Wear Check Africa	8,618	-
Imperial Trucks	5,653	-
Rubber Products & Mouldings	3,374	-
Reflect All Compressors	8,447	-
CK Rumboll & Vennote	5,360	-
Imperial Trucks	7,492	-
Perdeberg Motors	2,782	-
Perdeberg Motors	5,877	-
Isuzu Truck Centre	2,505	-
Beeld Holidaymakers Expo	36,006	-
High Angle Rescue and Access	37,620	-
JB Nissan	2,235	-
Master Truck Centre	3,767	-
Komatsu	14,090	-
High Angle Rescue and Access	33,744	-
Petrosa	39,672	-
Mzantsi Koloni Electronics	298,304	-
Escom	14,060	-
Geelbek restaurant	1,365	-
Herold Gie Attorneys	8,000	-
Porterville Tyre and Exhuast	2,779	-
Saaymans Springworks CC	3,323	-
Calculus Chartered Accountants	52,435	-
Water & Drain	925	-
Allweld Marine & Industrial	210,919	-
Sulzer SA	447,958	-
BP Atlantic	10,067	-
Enviroserv	5,000	-
Appliances Doctor	5,000	-
Steve's Electrical	2,280	-
Modimo African Safari's	8,772	-
E J van Wyk	5,700	-
Universal Steel Enterprises	5,000	-
LH Marthinusen	444,544	-
Boland Diesel	12,688	-
Boland Diesel	11,439	-
EL Conradie	5,153	-
Perdeberg Motors	2,400	-
Sizonke Trading	25,000	-
Namibia Tourism Expo	17,226	-
The Conference Zone	7,523	-
Vissershok Waste Management	30,000	-
Intratec Data Recovery	5,230	-
Allweld Marine & Industrial	238,807	-
Imperial Trucks - Cape Town	4,537	-
Boland Diesel	11,439	-
Ramsay, son & Parker	33,636	-
Britz Motors	9,562	-
Institute of Internal Auditors	2,337	-

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Figures in Rand	2012	2011
43. Additional Disclosures in terms of Supply Chain Management Regulation (continued)		
Weskus Elektries	2,752	-
Bell Equipment co	5,316	-
V,I Instruments	3,531	-
ELB Equipment LTD	4,318	-
Department of Transport and Public Works	8,761	-
Barloworld Equipment	6,171	-
Tienie Petroleumdienste	24,218	-
Dillion Welding	2,485	-
Capman (Pty) Ltd	25,000	-
Pricewaterhouse Coopers	320,218	-
University of Stellenbosch	216,300	-
Bell Equipment co	6,741	-
Master Airbrake Truck Services	2,549	-
Southern African Emergency Services	3,420	-
Southern Business School	8,155	-
Herold Gie Attorneys	30,000	-
Peninsula Elevate Services	3,581	-
Origiline	135,000	-
G J Towing & Recovery	13,595	-
Moorreesburg Gholfklub	20,723	-
Global Africa Network (Pty) Ltd	188,340	-
Global Africa Network (Pty) Ltd	91,200	-
Ignite Advisory Services	15,732	-
Cape Media Corporation	10,260	-
Porterville Distribution	-	6,000
MCB Marketing and Engineering	-	5,000
J & E Electrical	-	2,110
Emil's Place	-	2,160
Lambertsbay Hotel	-	6,250
West Coast Safari's and Quads	-	3,900
JB's Nissan	-	4,638
ELB	-	2,253
Gourmet Coffee Roasters	-	2,301
Daniel Brink Motors	-	7,576
Malmesbury Motors	-	2,873
Quantec	-	22,252
Excelcom	-	2,838
Steve's Electrical	-	1,020
AAD Truck and Bus	-	3,775
J J J Electical	-	1,871
Oasys Innovations	-	11,192
K Coetzee	-	8,550
West Coast Escape Magazine	-	6,000
Business Engineering	-	107,559
Enviroserv (Waste Tech)	-	5,328
Reflect All Compressors	-	4,332
Centeq Networking	-	513
J J J Electical	-	829
Ons Kontrei	-	2,261
Fire Raiders	-	39,959
Hidro-Tech Systems	-	2,236
Auma	-	6,240
Weskus Media	-	12,027
Weskus Media	-	3,006
Motolec	-	2,849
Flexit	-	1,995
Daniel Brink Motors	-	3,203
Water and Drain	-	1,200
B P Atlantic	-	5,387
Samras	-	6,612
Brubin Pumps	-	15,335

WEST COAST DISTRICT MUNICIPALITY

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Figures in Rand	2012	2011
43. Additional Disclosures in terms of Supply Chain Management Regulation (continued)		
Syntell	-	6,840
Dillion Welding	-	13,680
Auma	-	42,919
FFA Group of Companies	-	3,149,869
West Coast Petroleum	-	2,648
Trentyre	-	4,047
Marine and General Cleaning Services	-	2,821
Sizonke Trading	-	78,811
Smit Engineerswerke	-	4,104
ELB	-	4,009
SSE	-	3,933
Brand Nissan Vredendal	-	2,389
ELB	-	2,253
FFA Group of Companies	-	223,309
Gemtronics	-	3,904
DC Engineering	-	11,040
Malmesbury Toyota	-	6,640
Greater Cederberg FPA Ground Team	-	19,913
Engine & Gearbox Master	-	61,145
Waste Tech	-	5,328
Maxal Projects	-	3,214
National Laboratory Association	-	12,312
Selectech	-	8,873
LH Marthinusen	-	85,000
Endress and Hauser	-	19,972
Kelcom (Pty) Ltd	-	3,500
3-2-1 Design	-	3,000
Tjeka Training	-	15,900
Ferobrake	-	4,554
Capman (Pty) Ltd	-	120,000
Precision Diesel	-	2,506
Malmesbury Toyota	-	7,262
MKB Hyundai	-	2,769
Palama	-	11,524
Witch and Wizard Creative	-	157,828
EuroSA Tourism - France	-	5,000
DEHTEQ	-	17,403
Maxal Projects	-	2,331
Boland Diesel	-	4,745
Saayman's Springworks	-	5,643
PAWC	-	14,116
Gholf Club Moorreesburg	-	5,000
Nortern Hydrualic Centre	-	2,984
ELB	-	9,246
Swartland Garage Doors	-	2,000
Water and Drain	-	2,640
Moorreesburg Spar	-	270
Brand Nissan	-	3,617
LJH Rix	-	19,200
West Coast Plant Hire	-	4,339
Engine and Gearbox Master	-	9,952
Moorreesburg Spar	-	320
D E Smit Verkoelingsdienste	-	1,003
J J Verkoeling	-	900
PMR Africa	-	2,800
F.E.S	-	2,241
Perdeberg Motors	-	2,822
Malmesbury Toyota	-	3,002
Trentyre	-	7,433
Saayman's Springworks	-	4,292
Paradigm	-	11,029

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Figures in Rand	2012	2011
43. Additional Disclosures in terms of Supply Chain Management Regulation (continued)		
ELB	-	2,253
Hino Parow	-	2,679
Moorreesburg Verkoeling	-	2,500
Cummins	-	2,517
Vredendal Volkswagen	-	2,578
ELB	-	2,253
Duma	-	5,760
I Like	-	8,925
Man Cape Town	-	15,500
SABS Commercial	-	1,185
SABS Commercial	-	5,216
Witch and Wizard	-	2,240
Malmesbury Toyota	-	3,062
Bell Equipment	-	2,529
SSE Cape	-	21,856
Endress + Hauser	-	8,816
FFA Aviation	-	536,837
ELB Equipment	-	2,934
Moorreesburg Verkoeling	-	3,000
JB's Nissan	-	2,058
Tour & Safari	-	4,293
Sustainable Living Projects	-	2,000
99FM	-	2,000
Malmesbury Toyota	-	3,435
Man Truck and Bus SA	-	14,120
Atlas Copco Compressor	-	51,314
Perdeberg Motors	-	1,375
Komatsu	-	2,856
Tour and Safari	-	715
Bytes System Intergration	-	29,184
Hitachi	-	8,666
Komatsu	-	3,380
IMPESA Conference	-	18,000
Protea Hotel	-	14,925
Capman	-	8,550
Imperial Group	-	5,454
The Badge Company	-	5,696
J J J Elektries	-	3,487
J Dreyer BK	-	825
Hitachi	-	3,113
Blue Fame	-	2,352
Boland Diesel	-	6,966
J J J Elektries	-	3,000
GIST	-	2,315
PG Glass	-	518
Citrusdal Bande	-	744
Supa Quick	-	3,226
Engine & gearbox Master	-	12,982
FFA Group of Companies	-	232,460
SLP	-	6,430
Spannies	-	759
	4,973,997	5,665,412

2. In terms of the Supply Chain Regulations No. 27636 - 30 May 2005 section 45 a municipality is allowed to make awards to close family members of persons in the service of the state, or who have been in the service of the state in the previous twelve months. As per the reporting period the municipality made the following awards:

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

WEST COAST DISTRICT MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2012	2011
43. Additional Disclosures in terms of Supply Chain Management Regulation (continued)		
Cummins South Africa (Pty) Ltd - Mr Xavier Borel - MPU Parks and Tourism	173	3,692
Baievlei Diesel - Mr Lourens Smith - South African Police Services	19,700	288,189
Anka Spyseniering - Mr Andre Frans - West Coast District Municipality	14,350	41,299
Blackbird Trading CC - Mrs Marlene Smit - Swartland Municipality	119,700	379,503
MACW Catering Services - Mr Willem de Vries - West Coast District Municipality	1,650	11,730
KM Pest & Hygiene Control - Mr Kobus Marias - Swartland Municipality	-	1,980
Liplekker Take Aways - Mr Elvin Pedro - Emergency Services	38,621	28,462
Golden Rewards 1873 CC - Mr Raynard De Jager - WC: Department of Education	30,880	27,550
Elaine's Take Aways & Catering - Mr Edward Marais - West Coast District Municipality	19,941	38,410
SwartlandPC,Com - Mr Craig Hoggarth - EMS Swartland Hospital	46,800	-
Catiza Training & Skills Development CC - Mrs Swartz - City of Cape Town	21,500	-
Fasfacts - Mrs Nelly Fanie - Marcus Mbetha Secure School	5,930	-
Ithuba Industries - Mrs De Morney -	195,762	-
	515,007	820,815

WEST COAST DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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44. Reticulation Losses

1 Water

Kilolitres purchased - after purification	23,692,176	24,433,665
Kilolitres sold	(22,490,474)	(21,581,012)
Reticulation loss	1,201,702	2,852,653

Percentage	5.07%	11.68%
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The norm for water losses is 10%. The losses occurred due to burst pipes and leaks from the reservoirs to consumers.

2 Electricity

No reticulation losses were incurred.

The services provided by the municipality relating to electricity are limited to the installation of electricity points in the area.

45. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net deficit per the statement of financial performance	(30,877,098)	(593,817)
Adjusted for:		
Property rates	-	(31,368)
Services charges	2,703,147	3,721,502
Investment revenue	75,903	4,114,169
Transfers recognised - operational	(9,238,315)	16,919,714
Other own revenue	46,437,632	(3,608,136)
Employee cost	(7,392,447)	(7,117,360)
Remuneration of councillors	-	(2,261,587)
Depreciation & asset impairment	2,219,897	(4,621,055)
Finance charges	(3,665,424)	142,653
Materials and bulk purchases	(128,845)	(67,555)
Transfers and grants	-	-
Other expenditure	13,148,922	18,568,414
Net surplus per approved budget	13,283,372	25,165,574

46. Other payables

See note 8 for reconciliation of grants from other spheres of government.

These amounts are invested in a ring-fenced investment until utilised.

Unspent conditional grants and receipts comprises of:

Kliprand Electricity	-	101,353
Financial Management Grant	-	329,360
Drought Relief Programme	-	15,705
Thusong Centre	-	98,277
Training of Housing Officials	-	8,565
Provincial Management Support Grant	832,357	1,000,000
Asset Management Support Grant	47,141	122,209
Ignite Assist	45,548	468,566
Cederberg Biosphere	-	27,931
Knersvlakte Biosphere	-	148,058
Donations Mayor	20,401	-
R.BIG Funds	462,292	-
	1,407,739	2,320,024

WEST COAST DISTRICT MUNICIPALITY

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Figures in Rand	2012	2011
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47. Discontinued operations or disestablishment of the district management areas (DMA)

The Provincial Minister of Local Government, Environmental Affairs and Development Planning Mr A W Bredell issued the West Coast District Municipality (DC1) establishment sixth amendment in Provincial Notice 6851 (25 February 2011). This notice gives transitional measures to facilitate the disestablishment of the District Management Area and the incorporation of the areas concerned in superseding municipalities. Provincial Treasury recommended in Treasury Circular Mun No 24/2011 (3.3 and 4) that the transfer date of the District Management Area be set at 1 July 2011. This includes assets, liabilities, expenditure and income.

The financial implications related to assets, liabilities, expenditure and income are as follows:

Surplus / Deficit

Revenue	-	5,523,414
Expenses	34,219,816	(5,988,558)
net surplus / (deficit)	34,219,816	(465,144)

Assets and liabilities

Non-current assets

Property, plant and equipment	34,219,816	-
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Reconciliation of Property, plant and equipment

Land and Buildings (Cost)	1,246,867	-
Infrastructure (Cost)	25,886,678	-
Buildings (Cost)	11,785,674	-
Other Assets (Cost)	1,711,477	-
Infrastructure (Depreciation)	(3,983,714)	-
Buildings (Depreciation)	(1,208,505)	-
Other Assets (Depreciation)	(1,218,661)	-
	34,219,816	-

Non - current liabilities

Reclamation of refuse landfill site	158,042	-
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Current liabilities

Other Payables	98,277	-
Other Payables	101,000	-
Employee Benefits Accrual	180,518	-

WEST COAST DISTRICT MUNICIPALITY

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